

# **Why Would a Community Want to Consider a P.A. 425 Agreement?**

P.A. 425 is a win-win for two municipalities. Typically, a township may have available land for economic development, but not the infrastructure or funds to provide that infrastructure. In addition, available and viable infrastructure may exist very near by in another municipality that has already been paid for or is under utilized. From a regional and cost perspective, it only makes sense to utilize infrastructure that already exists.

A municipality may have adequate infrastructure, but not have the necessary land for economic development. Thus, the project must locate on the available land elsewhere and the municipality loses out on generating any new revenue. The project may provide jobs to residents and prospective residents to shop, live and invest in the community.

None of these conditions will occur for a municipality if the project does not take place.

To entice the township to allow the property to become conditionally transferred, the neighboring municipality should provide infrastructure and/or other services and economic incentives to the property. In addition, a township will typically receive more than 1 mill of revenue, paid by the city to the township over a 1–50 year period of time.

Thus, the township's revenues are increased from what they ever could have been while the city also enjoys new revenue. Businesses and residents in both municipalities should enjoy direct benefit. At the end of the agreed upon length of the PA 425 agreement, the land will either revert back to the original municipality or transfer to the neighboring municipality.